

**DEPARTMENT OF SOCIAL SERVICES**

744 P Street, Sacramento, California 95814



May 21, 2004

ALL COUNTY INFORMATION NOTICE NO. I-32-04

TO: ALL COUNTY WELFARE DIRECTORS  
ALL FOOD STAMP COORDINATORS

REASON FOR THIS TRANSMITTAL

- ☐ State Law Change
- ☐ Federal Law or Regulation Change
- ☐ Court Order
- ☐ Clarification Requested by One or More Counties
- ☒ Initiated by CDSS

SUBJECT: TREATMENT OF THE MEDICARE PRESCRIPTION DRUG  
CARD PROGRAM IN THE FOOD STAMP PROGRAM

The purpose of this letter is to inform county welfare departments of the treatment of the new Medicare-Approved Drug Discount Card Program in the Food Stamp Program.

Starting in May 2004, Medicare recipients will have an opportunity to enroll in the drug discount card program, which will provide discounts off the regular price of prescription drugs. Medicare will also provide an annual \$600 subsidy to people whose income is not more than 135 percent of the Federal poverty line and who do not have certain other drug coverage. These funds will be provided through the drug discount card. The drug discount card program can charge an enrollment fee of up to \$30 per year, which will be paid by Medicare for those who qualify for the \$600 subsidy.

Any discount and/or subsidy a household receives through the drug discount card program shall not be treated as income or a resource in determining eligibility or benefits for the Food Stamp Program. Per MPP 63-502.2(g), these benefits are excluded as income because they are a reimbursement for an expense that is not a normal living expense. Per MPP 63-501.3(i), these benefits are excluded as a resource because the drug discount card has "a cash value that is not accessible to the household." The household does not receive these benefits directly, but instead it is in the form of discounts on prescription drugs.

The annual fee, when paid by the household, shall be treated as an allowable medical expense under MPP 63-502.33. The household may not claim a medical expense deduction for the cost of any prescriptions they receive free through use of the card, since such costs would not be an out-of-pocket expense. Any cost for the prescription drugs beyond the discount shall be treated as an allowable medical expense.

Examples of how to treat households participating in the drug discount card program are below:

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**Question:**

The Food Stamp Household consists of four members, of which two are receiving the benefits of the drug discount card program. Both of these members paid the \$30 enrollment fee and are receiving discounts on their prescription drugs. The remainder of the prescription drug cost, after the discount, is being paid for by the household. How do you treat the medical expenses of these two Food Stamp household members?

**Answer:**

The household would receive the medical expense deduction for the \$30 enrollment fees paid by its members. In addition, any amount paid by the household member above and beyond the discount on the prescription drugs would be counted towards the household's medical expense deduction. For example, the prescription drug price is \$50 and the card entitles the client to a \$15 discount. The result would be that the household would receive the deduction for both the \$30 enrollment fees and the \$35 for their prescription drug, the \$50 cost minus the \$15 discount.

**Question:**

A Food Stamp household member is eligible to enroll in the drug discount card program and also eligible for the \$600 subsidy. How do you treat the subsidy and how do you determine the out-of-pocket expenses for the client's prescription drug costs?

**Answer:**

The \$600 subsidy would not be counted as income or a resource to the Food Stamp household. The client would not receive a medical expense deduction for the amount the prescription drug was discounted or for prescription drugs that were purchased with the subsidy. The client would only receive a medical expense deduction for the amount of the prescription drugs that was actually paid out-of-pocket.

If you have any questions about the above policy, please contact Katie Kwiatek at (916) 654-1898.

Sincerely,

RIGHTON YEE, Chief  
Food Stamp Branch